

FORTIETH ANNUAL REPORT

2013

(Fiscal Year ended June 30th)



LAW FOUNDATION

(www.lawfoundation.sk.ca)

Report from the Chair

I am pleased to provide the fortieth annual report of the Law Foundation of Saskatchewan for the fiscal year ended June 30, 2013. This report is provided to the Minister of Justice of Saskatchewan and to the Law Society of Saskatchewan pursuant to section 79 of *The Legal Profession Act, 1990*.

Our Purposes

The Law Foundation of Saskatchewan was established in 1971. Its legislative purposes are the establishment and maintenance of a fund for legal education, legal research, legal aid, law libraries and law reform.

The fund consists of interest earned on lawyers' mixed trust accounts and the investment income resulting therefrom. All lawyers' trust funds earn interest at rates negotiated between the Law Foundation and the various financial institutions where lawyers maintain trust accounts. From its fund the Foundation makes grants to organizations and individuals for programs and projects that are consistent with the legislative purpose of the Foundation.

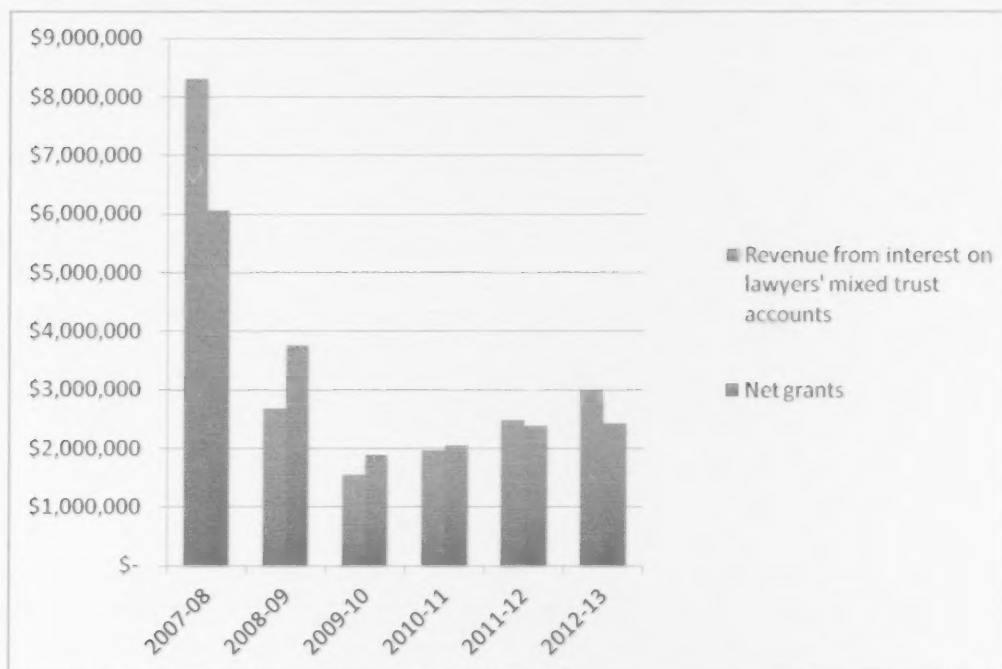
Financial Highlights

During the year ended June 30, 2013, interest earned on lawyers' mixed trust accounts and paid to the Foundation was \$2.9 million compared to \$2.5 million in 2012. Economic activity in Saskatchewan continues to be strong and the levels of activity in lawyers' mixed trust accounts have once again increased. Investment income was \$347,000 in 2013 compared to \$367,000 in 2012. Investment income for the past four years has been substantially reduced due primarily to significantly lower interest rates resulting from the financial crisis of 2008.

Most financial institutions reduced their interest floor rates to an all time low. We appreciate the support of Canada's major banks and Saskatchewan's Credit Unions which pay competitive rates of interest in this challenging low-rate environment. While it is anticipated that interest rates will eventually rise, the timing is uncertain.

The Foundation continues to be in a strong financial position. Current annual revenues are sufficient to cover the support requested by qualifying grantees and the Foundation has the strength to finance new projects from its reserves.

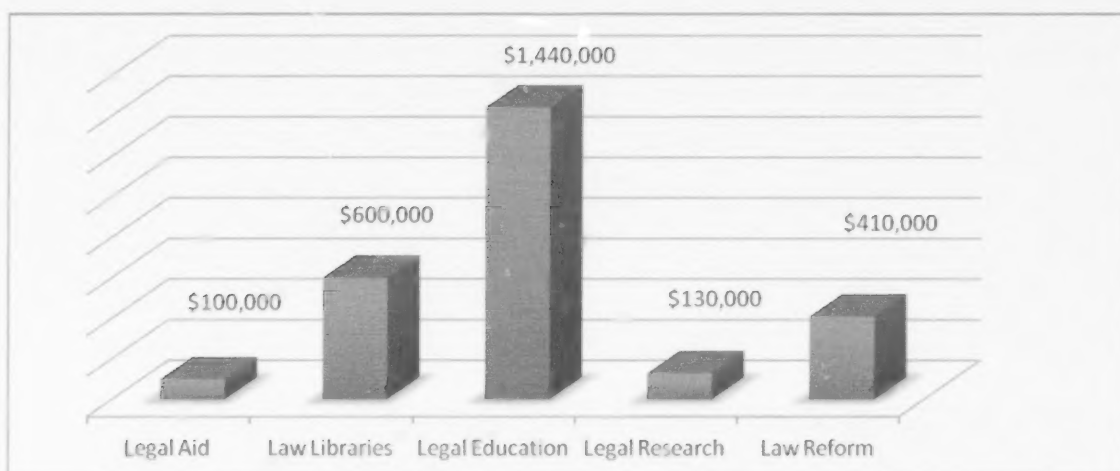
Revenues/Grants 2007-2013



The Foundation maintains a Grant Stabilization Reserve to protect its core grantees, those who rely on the Foundation for their primary funding, from declines in revenues in future years. The Strategic Initiatives Reserve is intended to ensure the Foundation can support significant new Access to Justice projects in future years, particularly if revenue would not be sufficient to provide funding. The Foundation expects to be able to fund new one-time initiatives and can rebuild its capacity through reserves when interest rates increase.

Grants

The breakdown of the Foundation's 2013 grant expenses of \$2.68 million in accordance with its legislative purposes is set out below.



In addition to its own support of the Native Law Centre at the University of Saskatchewan, the Foundation continues to emphasize the national importance of the Centre and to request the ongoing and increased aid of other Law Foundations in Canada for this project.

Some of the organizations the Foundation supported during 2013 are listed below. Further detail of amounts granted during the year are included in the financial statements outlined in Schedule 1.

- Public Legal Education Association
- Law Society of Saskatchewan Libraries
- Legal Aid Saskatchewan
- Pro Bono Law Saskatchewan
- Native Law Centre, University of Saskatchewan
- Law Reform Commission of Saskatchewan
- College of Law, University of Saskatchewan
- Saskatoon Sexual Assault and Information Centre
- Salvation Army Positive Lifestyles Program

Organizational Matters

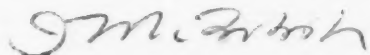
The Law Foundation meets on a quarterly basis.

During the year the Secretary/Executive Director, Bob Arscott, decided to retire in fiscal 2014 after 40 years of service. His outstanding contribution to the Foundation will be recognized in the next Annual Report.

Mr. Rob Gibbings, Q.C. – Vice Chair, Mr. Bob Watt, FCA – Treasurer, and Mr. Bob Arscott, FCA – Secretary/Executive Director, attended the September 2013 annual meeting of the Canadian Association of Law Foundations held in Vancouver, British Columbia where the various Foundations discussed projects of a national scope and other matters of mutual interest.

I am pleased to have served with the current members of the Law Foundation as listed in this Annual Report.

On behalf of the members of the Law Foundation of Saskatchewan I respectfully submit this report. We appreciate the opportunity to serve the people of Saskatchewan by ensuring the Foundation meets its legislated purposes.



John McIntosh, Q.C.
Chair

December 1, 2013

Members of the Law Foundation of Saskatchewan

As of June 30, 2013

Appointed by the Law Society of Saskatchewan

John McIntosh, Q.C. – Chair*

Robert Gibbings, Q.C. – Vice-Chair

Catherine Knox, LL.B. (to December 2012)

Lana Krogan-Stevely, LL.B. (to October 2012 on appointment to Court of Queen's Bench)

Eileen Libby, Q.C. (effective January 2013)

Merlis Belsher, CA, LL.B. (effective January 2013)

Pat Quaroni, J.D.

*The Chair is appointed by the Law Society of Saskatchewan

Appointed by the Minister of Justice

Gerald Tegart, Q.C., Deputy Minister of Justice – Minister's designate

Bob Watt, FCA – Treasurer

Kathryn Ford, Q.C.

Irene Seiferling, B.A., ICD, FEA

Secretary/Executive Director

Robert Arscott, FCA

Contact

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Left to Right

Back: P. Quaroni, J.D.; M. Belsher, CA, LL.B.; E. Libby, Q.C.; R. Arscott, FCA; B. Watt, FCA; K. Ford, Q.C.

Front: G. Tegart, Q.C.; J. McIntosh, Q.C.; L. Krogan, LL.B.

Absent: R. Gibbings, Q.C.; I. Sieferling, BA, ICD, FEA

Financial Statements of

LAW FOUNDATION OF SASKATCHEWAN

30th June 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of the Law Foundation of Saskatchewan

We have audited the accompanying financial statements of the Law Foundation of Saskatchewan, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of revenue, expenses, grants, and unallocated surplus, and cash flows for the years ended June 30, 2013 and June 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Law Foundation of Saskatchewan as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants

December 1, 2013
Regina, Saskatchewan

LAW FOUNDATION OF SASKATCHEWAN
STATEMENTS OF FINANCIAL POSITION

	<u>30th JUNE</u> <u>2013</u>	<u>30th JUNE</u> <u>2012</u> (note 3)	<u>1st JULY</u> <u>2011</u> (note 3)
<u>ASSETS</u>			
Cash	\$ 469,226	\$ -	\$ 151,463
Cash held by investment dealer	132,310	2,581	302,263
Interest receivable from lawyers' mixed trust accounts	521,332	446,488	321,268
Accrued investment interest receivable	288,000	267,000	240,000
Investments (Note "4")	11,957,787	11,798,119	11,282,163
	<u>\$ 13,368,655</u>	<u>\$ 12,514,188</u>	<u>\$ 12,297,157</u>

LIABILITIES, RESERVES, AND UNALLOCATED SURPLUS

Bank indebtedness	\$ -	\$ 1,574	\$ -
Accounts payable	-	638	2,000
Grants payable	1,920,937	1,870,620	1,933,710
	<u>1,920,937</u>	<u>1,872,832</u>	<u>1,935,710</u>
Grant stabilization reserve (Note "2")	6,600,000	6,600,000	6,600,000
Strategic initiatives reserve (Note "2")	3,695,000	3,695,000	3,695,000
Unallocated surplus	1,152,718	346,356	66,447
	<u>11,447,718</u>	<u>10,641,356</u>	<u>10,361,447</u>
	<u>\$ 13,368,655</u>	<u>\$ 12,514,188</u>	<u>\$ 12,297,157</u>

On behalf of the Foundation:

J. McEwen Chairperson

Robert Watt Treasurer

LAW FOUNDATION OF SASKATCHEWAN

**STATEMENTS OF REVENUE, EXPENSES, GRANTS,
AND UNALLOCATED SURPLUS
FOR THE YEARS ENDED 30th JUNE**

	<u>2013</u>	<u>2012</u> (note 3)
REVENUE:		
Interest from lawyers' mixed trust accounts	\$ 2,978,294	\$ 2,492,718
Investment income	347,559	367,335
Unclaimed lawyers' mixed trust accounts	107,256	1,923
Miscellaneous	<u>3,682</u>	<u>508</u>
	3,436,791	2,862,484
EXPENSES:		
Administrative		
Foundation members		
- office per diem	\$ 36,688	\$ 30,695
- member services	6,748	12,503
- meetings		
- regular	6,943	7,063
- special	6,276	8,944
Office, postage, stationery, telephone	20,529	18,020
Office of the Secretary	122,230	105,426
Professional fees	<u>11,100</u>	<u>7,651</u>
	<u>210,514</u>	<u>190,302</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE GRANTS	3,226,277	2,672,182
GRANTS AUTHORIZED (Schedule "I")	(2,683,582)	(2,438,782)
GRANTS RECOVERED	<u>263,667</u>	<u>46,509</u>
EXCESS OF REVENUE OVER EXPENSES AND GRANTS FOR THE YEAR	806,362	279,909
UNALLOCATED SURPLUS, BEGINNING OF YEAR	<u>346,356</u>	<u>66,447</u>
UNALLOCATED SURPLUS, END OF YEAR	<u>\$ 1,152,718</u>	<u>\$ 346,356</u>

LAW FOUNDATION OF SASKATCHEWAN

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30th JUNE**

	<u>2013</u>	<u>2012</u> (note 3)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenues over expenses and grants	\$ 806,362	\$ 279,909
Items not involving cash:		
(Gain) loss on disposal of investments	(2,149)	3,294
Change in non-cash working capital items:		
Interest receivable from lawyers' mixed trust accounts	(74,844)	(125,220)
Accrued investment interest receivable	(21,000)	(27,000)
Accounts payable	(638)	(1,362)
Grants payable	50,317	(63,090)
	<u>758,048</u>	<u>66,531</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of investments	(2,448,531)	(6,492,005)
Proceeds on disposal and maturity of investments	2,291,012	5,972,755
	<u>(157,519)</u>	<u>(519,250)</u>
INCREASE (DECREASE) IN CASH	600,529	(452,719)
CASH POSITION - BEGINNING OF YEAR	<u>1,007</u>	<u>453,726</u>
CASH POSITION - END OF YEAR	<u>\$ 601,536</u>	<u>\$ 1,007</u>
CASH CONSISTS OF:		
Cash	\$ 469,226	\$ -
Bank indebtedness	-	(1,574)
Cash held by investment dealer	132,310	2,581
	<u>\$ 601,536</u>	<u>\$ 1,007</u>

LAW FOUNDATION OF SASKATCHEWAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30th JUNE 2013, 2012 and 2011

1. NATURE OF THE FOUNDATION

The Law Foundation of Saskatchewan (the "Foundation") is established under the *Legal Profession Act of Saskatchewan*. The purpose of the Foundation is to establish and maintain a fund to be used for the purposes of legal education, legal research, legal aid, law libraries and law reform. The Foundation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations required management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates.

Grants

Grants are expensed at the time they are authorized by the Foundation.

Grant Stabilization Reserve

The Foundation has a goal of insulating continuing programs from fluctuation in the Foundation's income that result from changes in the prime rate and the balances in lawyers' mixed trust accounts that generate income to the Foundation. To accomplish this goal the Foundation maintains a reserve that functions as a stabilization fund.

Strategic Initiatives Reserve

The Foundation periodically makes one time grants for significant access to justice projects. This reserve has been established by the Board to enhance its capacity to meet its statutory objectives when such projects arise.

Interest

Interest income is recorded as earned from lawyers' mixed trust accounts of the members of the Law Society of Saskatchewan.

LAW FOUNDATION OF SASKATCHEWAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30th JUNE 2013, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments - Recognition and Measurement

Financial assets and financial liabilities are recorded on the statement of financial position when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value improves.

3. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective July 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations (ASNPO). These are the Foundation's first financial statements prepared in accordance with these accounting standards and the transitional provisions of *Section 1501 First-time Adoption by Not-for-profit Organizations* have been applied. *Section 1501* requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended June 30, 2013 and the comparative information presented in these financial statements for the year ended June 30, 2012 and in the preparation of an opening statement of financial position at July 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended June 30, 2012 using generally accepted accounting principles prescribed by pre-changeover standards of the CICA Handbook. The adoption of Canadian accounting standards for not-for-profit organizations has resulted in adjustments to the previously reported assets, liabilities, unallocated surplus, excess of revenues over expenses and cash flows of the Foundation. Accordingly, the effect of adopting these new standards as at July 1, 2011 has been presented on the statements of financial position and on the statement of revenues, expenses, grants and unallocated surplus.

A reconciliation of the Foundation's previously reported unallocated surplus is as follows:

Previously stated unallocated surplus, July 1, 2011	\$ 134,658
Adjustment to record investments at cost	(68,211)
Restated unallocated surplus, July 1, 2011	<u>\$ 66,447</u>

A reconciliation of the Foundation's previously reported excess of revenues over expenses is as follows:

Previously stated excess of revenue over expenses, June 30, 2012	\$ 309,649
Adjustment to record investments at cost	(29,740)
Restated excess of revenues over expenses, June 30, 2012	<u>\$ 279,909</u>

LAW FOUNDATION OF SASKATCHEWAN

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEARS ENDED 30th JUNE 2013, 2012 and 2011**

4. INVESTMENTS

	2013		2012		2011	
	Cost	Yield	Cost	Yield	Cost	Yield
Provincial bonds						
1-3 years	\$ 2,004,351	2.99%	\$ 1,952,753	3.09%	\$ 1,096,244	3.70%
4-7 years	100,000	3.18%	351,593	3.18%	1,663,449	2.94%
Corporate bonds						
1-3 years	1,225,817	3.29%	1,553,256	3.55%	1,156,570	4.16%
4-7 years	1,198,135	3.54%	872,290	3.98%	134,000	3.08%
Guaranteed investment certificates						
1-3 years	2,610,000	3.40%	2,892,608	3.77%	5,250,000	3.07%
4-7 years	4,630,000	2.46%	3,905,000	2.64%	1,940,000	3.17%
Savings accounts	187,158	2.02%	270,619	1.25%	41,900	2.02%
Credit Union member equity	2,326		-		-	
	\$ 11,957,787		\$ 11,798,119		\$ 11,282,163	

The Foundation's investments have a fair value of \$12,289,297 (2012 - \$12,163,070, 2011 - \$11,590,374).

5. FINANCIAL RISK MANAGEMENT

The Foundation has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Foundation is exposed are:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk on amounts received from financial institutions which forward interest earned from mixed trust accounts of the lawyers of Saskatchewan to the Foundation. The Foundation does not have a significant exposure to any individual financial institution and has adopted policies and procedures to ensure completeness of revenues forwarded to the Foundation.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its investments and the interest it earns from mixed trust accounts of the lawyers in Saskatchewan. The Foundation holds investments of varying maturities to manage the interest rate risk associated with investments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation's exposure to liquidity risk is dependent on receipt of funds and are considered adequate to meet its obligations.

LAW FOUNDATION OF SASKATCHEWAN

GRANTS AUTHORIZED FOR THE YEARS ENDED 30th JUNE

SCHEDULE "1"

	<u>2013</u>	<u>2012</u>
Public Legal Education Association – Annual	\$ 610,136	\$ 588,477
Law Society of Saskatchewan Libraries – Annual	599,992	694,415
College of Law, University of Saskatchewan - Renewal of Law Foundation Aboriginal Law LLM Stipends	300,000	-
College of Law, University of Saskatchewan - Estey Endowed Chair in Business Law	250,000	-
Saskatchewan Human Rights Commission	250,000	-
Native Law Centre – Annual	96,000	62,000
College of Law, University of Saskatchewan - External Moot Sponsorship 2012-2013	90,000	-
College of Law, University of Saskatchewan - External Moot Sponsorship 2013-2014	92,000	-
Law Society Bar Course - CPLED	82,098	83,090
Legal Aid Saskatchewan Online	60,000	-
Law Reform Commission of Saskatchewan – Annual	60,000	60,000
Legal Aid Saskatchewan Client Survey	40,000	-
Department of Educational Administration, University of Saskatchewan		
"Knowledge Discovery for Legal Education and Research" - Dr. Burgess	32,592	-
Federation of Saskatchewan Indians - SIU database	30,000	-
College of Law Power in Law Conference	20,000	-
Law Society of Saskatchewan - Court of Appeal Annotated Rules	15,192	-
Salvation Army Positive Lifestyles – Annual	15,000	10,000
College of Law, University of Saskatchewan		
Support for Graduate Student Research Travel	14,172	-
Saskatoon Sexual Assault and Information Centre – Annual	10,400	10,400
College of Law Student Conference Travel	10,000	-
CBA Saskatchewan Branch Law Day – Annual	6,000	6,000
Pro Bono Law – Saskatchewan – 2012 Annual	-	280,000
Pro Bono Law – Saskatchewan – 2013 Annual	-	280,000
Elizabeth Fry Society of Saskatchewan – Annual	-	136,900
College of Law - Law Foundation of Saskatchewan Endowment Fund	-	100,000
Elizabeth Fry Society of Saskatchewan – Strong Sisters	-	48,000
College of Law Conference "UN Rights"	-	28,500
College of Law - Future of Laws Conference	-	15,000
Law Society Limitations Manual	-	15,000
Saskatchewan Elocution and Debate Association – Annual	-	11,000
Law Society - Trial Advocacy Workshop	-	10,000
	<u>\$ 2,683,582</u>	<u>\$ 2,438,782</u>

